

REPORT

DATE: March 6, 2003

TO: Administration Committee/Regional Council

FROM: Bert Becker, Chief Financial Officer
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SUBJECT: Proposed Membership Dues Increase

EXECUTIVE DIRECTOR'S APPROVAL:

RECOMMENDED ACTION:

Approve the 10% membership dues increase and place on the General Assembly Agenda for approval.

BACKGROUND:

Over the last few years, General Fund expenses have increased. A significant cause for this increase has been the need to pay interest on a Line of Credit and a fee to the State to accelerate payment of invoices. These costs are necessary due to a lack of working capital.

SCAG's need for additional working capital is on going and has been discussed many times. With a monthly budget of approximately \$3,000,000 and a 45-60 day lead-time for reimbursement, SCAG should have approximately \$6-7 million working capital. We currently have less than \$2.0 million. The balance is made up by use of a Line of Credit with our commercial bank and a Rapid Pay program with Caltrans. However, these uses are costing approximately \$250,000 per year.

The Caltrans audit required SCAG to develop an Audit Resolution Plan (ARP). One portion of the ARP was a Finance Plan to address steps the SCAG would take to improve its financial condition. One of those steps was to examine potential sources of increased working capital. Currently, the major source of working capital is member dues contributions. Other potential increases in working capital include budget reductions and transferring programs that require use of working capital to other institutions.

Revenues from membership dues are about \$1.1 million and are used to pay for Regional Council activities, legislative advocacy and litigation expenses in addition to the interest and fees described above. For FY 2002-2003, an increase of \$54,200 was achieved based on a 2.7% annual CPI increase and the recruitment of new member cities.

To help increase working capital, The Finance Plan, which the Regional Council adopted in concept at its June 6, 2003 meeting, proposes to increase member dues 10% in FY 2003-2004 and FY 2004-2005. Even with the 47% increase in dues implemented for FY 2001-2002, SCAG membership dues remain among the lowest in the



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nation on a per-capita basis. For example, member dues for the Sacramento Council of Governments (SACOG) are \$0.12, for the Association of Bay Area Governments (ABAG) - \$0.20, and for San Diego Association of Governments (SANDAG) - \$0.21. However, SCAG dues are only \$0.06 per capita. At the time the Finance Plan was written last summer, it was too late to request an increase for FY 2002-2003. Given the need for additional working capital, a 10% increase for FY 2003-2004 and FY 2004-2005 is recommended. The Communications & Membership Task Force supported the recommendation at their February 4, 2003 meeting.

Fiscal Impact:

Approving this request will result in a General Fund revenue increase of approximately \$110,000.

